National Nuclear Security Administration

NNSA Policy Letter: BOP-003.0404
Date: July 28, 2004

TITLE: Requests to Defense Contracting Audit Agency (DCAA) for Audit of M&O Contractor Subcontracts.

I. OBJECTIVE:

In accordance with DEAR 970.5244-1, Contractor purchasing system, the contract clause entitled "Contractor Purchasing System (DEC 2000)," as prescribed in 48 CFR 970.4402-5, is incorporated in NNSA's Management & Operating (M&O) contracts. Subparagraph (3) of this clause contains the following language:

> *Where audits of subcontractors at any tier are required, arrangements may be made to have the cognizant Federal agency perform the audit of the subcontract. These arrangements shall be made administratively between DOE and the other agency involved and shall provide for the cognizant agency to audit in an appropriate manner in light of the magnitude and nature of the subcontract. In no case, however, shall these arrangements preclude determination by the DOE contracting officer of the allowability or unallowability of subcontractor costs claimed for reimbursement by the contractor.*

Commensurate with this language and requirement, the purpose of this document is to provide the NNSA Service Center, Site Offices, and M&O contractors with guidance regarding requesting audit support from DCAA.

II. APPLICABILITY:

All NNSA elements except Naval Reactors.

III. REQUIREMENTS:

M&O contractors shall request audit support from DCAA (e.g., pre-award audit; incurred costs audit; post performance audit; rate verification) through the Site Office to the Service Center. The Site Office shall provide a courtesy copy of the audit request and a copy of the audit report to the Service Center.

Requests for DCAA support will be considered only if DCAA is the cognizant audit agency for a particular subcontractor.

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The following DCAA thresholds should be taken into consideration prior to any requests to DCAA:

- Fixed Price proposals subject to cost/pricing data threshold per FAR 15.403-4
- Cost-type proposals or subcontracts in excess of $10M.
- Special audits (e.g., terminations, claims, etc.) on a case-by-case basis.

In requesting support from DCAA, M&O contractors must provide the appropriate documentation needed for the audit. In the case of a pre-award audit, a copy of the subcontractor's proposal is required. For an incurred cost audit or a post performance audit, copies of the subcontract and vouchers are required.

In requesting support from DCAA be aware of the following:

- The Service Center will develop, in cooperation with DCAA, an estimate of hours required for the requested services so that the extent of billing is known.
- The number of hours agreed to between the Service Center and DCAA will not be exceeded by DCAA without additional coordination between the Service Center and DCAA.
- DCAA will not commence a pre-award audit until an adequate proposal from the subcontractor is provided.
- A billing reference number will be provided to DCAA by the Service Center.

Consider the following risk factors when determining the type of DCAA assistance needed:

- Dollar value of the proposal;
- Type of anticipated award;
- Prior government experience with subcontractor;
- Size of subcontractor; and
- Complexity and adequacy of subcontractor's systems, policies, procedures, and internal controls.

The Service Center will issue an annual call on or about August 1st to the Site Offices to assess the magnitude of DCCA support (e.g., pre-award audit; incurred costs audit; post performance audit; rate verification) that will be required by their site for a particular fiscal year. Responses from Site Offices are due to the Service Center within 15 days. The annual call will be issued in the attached format. Site Offices must advise the Service Center of changes or updates to their response to the annual call as they become aware of them.

IV. RESPONSIBILITY:

The Service Center and Site Offices are responsible for implementing and adhering to this policy.

POINT OF CONTACT FOR ADMINISTRATION OF POLICY LETTER:
Deputy Director, Office of Acquisition and Supply Management (NA-63)
202-586-8559.

BY ORDER OF THE SENIOR PROCUREMENT EXECUTIVE:

Robert C. Braden
Senior Procurement Executive
National Nuclear Security Administration